

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /057 W

----- 048212

R 071015Z JUL 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 6697

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMCONSUL UDORN

CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ECON, EGEN, LA

SUBJECT: COST OF LIVING CONTINUES TO RISE IN VIENTIANE

1. EMBASSY'S MARKET SURVEY JULY 6 REVEALED THAT PRICES OF RICE, CHICKEN, SUGAR, EGGS, SOAP POWDER AND OTHER BASIC COMMODITIES HAD RISEN SHARPLY. PRICE OF GLUTINOUS RICE HAD RISEN TO 50 KIP A KILO FROM 35 KIP ON JUNE 29. PRICE OF BEST QUALITY WHITE RICE HAD MORE THAN DOUBLED IN WEEK'S TIME, FROM 80 KIP A KILO ON JUNE 29 TO 170 KIP A KILO ON JULY 6. PORK, BEEF AND BUFFALO MEAT CONTINUE TO BE UNAVAILABLE IN MARKET. PRICE OF CHICKEN HAD RISEN (FROM 600 KIP/KILO ON JUNE 29 TO 800 KIP/KILO ON JULY 6), AS HAD PRICE OF SEVERAL CATEGORIES OF FISH. PRICES OF DETERGENT, SUGAR AND EGGS HAD ALL RISEN BETWEEN 15 AND 40 PER CENT SINCE JUNE 29 SURVEY.

2. EMBASSY LOCAL EMPLOYEE ALSO VISITED STATE SHOP FOR GOVERNMENT OFFICIALS AT SIHOM DISTRICT IN VIENTIANE (LARGEST OF STATE SHOPS) JULY 7 TO SURVEY ITS NEW PRICES. ONLY RICE,  
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SUGAR AND SOAP CAKES WERE ON SALE. PRICE AND MANNER OF DISTRI-

BUTION OF OTHER ITEMS HAD NOT YET BEEN DECIDED. PRICES OF THREE ITEMS AVAILABLE HAD GONE UP FROM 200 TO 400 PER CENT AS COMPARED TO PRICES IN OLD KIP BEFORE STATE SHOPS WERE CLOSED FOR CURRENCY CONVERSION. ONE-HUNDRED-KILO BAG OF RICE, WHICH USED TO BE SOLD TO GOVERNMENT OFFICIALS THROUGH STATE SHOPS AT PRICE OF 40,000 "VIENTIANE" KIP, NOW COSTS 4500 "LIBERATION" KIP (OR 90,000 "VIENTIANE" KIP AT 20:1 CONVERSION RATE). ONE KILO OF SUGAR, WHICH COST 1150 "VIENTIANE" KIP BEFORE CURRENCY CONVERSION, NOW COSTS 200 "LIBERATION" KIP (OR 4000 "VIENTIANE" KIP). ONE CAKE OF SOAP, WHICH COST 400 "VIENTIANE" KIP BEFORE JUNE 15, NOW COSTS 80 "LIBERATION" KIP (OR 1600 "VIENTIANE" KIP). EMBASSY LOCAL EMPLOYEE WAS ALSO TOLD THAT STATE SHOP WHEN IT RESUMES SELLING SUCH ITEMS AS SUITCASES AND BLANKETS TO CIVIL SERVANTS OR THEIR DEPENDENTS WILL REQUIRE "OFFICIAL" JUSTIFICATION FROM THE CIVIL SERVANT'S MINISTRY OR DEPARTMENT (E.G., REASSIGNMENT TO ANOTHER PART OF LAOS WOULD JUSTIFY PURCHASE OF SUITCASE, BIRTH OF BABY WOULD JUSTIFY PURCHASE OF BLANKET).

3. COMPARABLE PRICE RISES ARE OCCURING IN OTHER AREAS OF THE ECONOMY. WE HAVE ALREADY REPORTED ON RISE IN PRICE OF PETROLEUM PRODUCTS (VIENTIANE 1564) AND IN LAO AVIATION DOMESTIC FARES (VIENTIANE 1613, NOTAL). TRANSLATION SERVICE (OFFICE LAO DE TRADUCTIN) WHICH PUBLISHES FRENCH VERSION OF SELECTED ARTICLES FROM LAO-LANGUAGE NEWSPAPERS ANNOUNCED JULY 2 THAT ITS SUBSCRIPTION CHARGE WAS BEING INCREASED 100 PERCENT BECAUSE OF "THE CURRENT ECONOMIC SITUATION".

4. WE HAVE AS YET NO OFFICIAL INFORMATION ON GOVERNMENT SALARY LEVELS BUT HAVE HEARD INFORMALLY THAT THESE HAVE RISEN IN CONNECTION WITH CURRENCY CONVERSION AND DEVALUATION. ONE EMBASSY LOCAL EMPLOYEE HAS RELATIVE WHO IS MIDDLE-LEVEL LAO GOVERNMENT OFFICIAL. THIS OFFICIAL'S SALARY ROSE FROM 96,000 "VIENTIANE" KIP (OR 4800 "LIBERATION" KIP AT 20:1 CONVERSION RATE) IN MAY TO 12,180 "LIBERATION" KIP FOR MONTH OF JUNE, AN INCREASE OF MORE THAN 250 PERCENT. A TEACHER ON THE LAO GOVERNMENT PAYROLL REPORTEDLY RECEIVED 39,000 "VIENTINE" KIP (OR 1,950 "LIBERATION" KIP) FOR MONTH OF MAY AND 8,000 "LIBERATION" KIP FOR JUNE, AN INCREASE OF MORE THAN 400 PERCENT.

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5. COMMENT (FOR EA/EX): APPARENT CHANGE IN GOVERNMENT SALARY SCHEDULE MAY HAVE IMPLICATIONS FOR OUR RECENTLY SUBMITTED LOCAL WAGE SURVEY. WILL REPORT WHEN WE HAVE OBTAINED COMPLETE OR PARTIAL CIVIL-SERVICE SALARY SCHEDULE.  
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